

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4498-01
Bill No.: HB 1797
Subject: Motor Fuel; Revenue Dept.; Taxation and Revenue - General; Treasurer, State.
Type: Original
Date: February 25, 2002

FISCAL SUMMARY

| ESTIMATED NET EFFECT ON STATE FUNDS | | | |
|---|---------------------------------------|---------------------------------------|---------------------------------------|
| FUND AFFECTED | FY 2003 | FY 2004 | FY 2005 |
| General Revenue | \$2,865,993 to \$5,865,993 | \$3,150,000 to \$6,150,000 | \$3,150,000 to \$6,150,000 |
| | | | |
| Total Estimated Net Effect on <u>All</u> State Funds | \$2,865,993 to \$5,865,992 | \$3,150,000 to \$6,150,000 | \$3,150,000 to \$6,150,000 |

| ESTIMATED NET EFFECT ON FEDERAL FUNDS | | | |
|---|----------------|----------------|----------------|
| FUND AFFECTED | FY 2003 | FY 2004 | FY 2005 |
| | | | |
| | | | |
| Total Estimated Net Effect on <u>All</u> Federal Funds | \$0 | \$0 | \$0 |

| ESTIMATED NET EFFECT ON LOCAL FUNDS | | | |
|--|----------------|----------------|----------------|
| FUND AFFECTED | FY 2003 | FY 2004 | FY 2005 |
| Local Government | \$0 | \$0 | \$0 |

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 4 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration (COA)** stated the proposed legislation should not result in additional costs or savings to the COA. The COA officials deferred to the Treasurer's Office for a tax revenue estimate.

Officials from the **Office of State Treasurer (STO)** stated that assuming all General Time Deposits will utilize the new pricing method, STO staff estimate a positive revenue impact for the "at least" language of \$450,000 annually. For the Securities lending portion of the proposal, STO staff estimate a positive revenue impact of \$400,000 annually. And, for the "Money Market Mutual Funds" portion of this proposal, STO staff estimate a positive revenue impact of \$300,000 annually. The overall revenue impact of these portions of the proposal would generate approximately \$1,150,000 annually. However, STO staff assume that there would be a revenue savings generated from linking the interest rate paid on refunds to the actual rate earned on state funds. However, the STO will defer to the estimate provided by the Department of Revenue for this portion of the proposal.

Officials from the **Department of Revenue (DOR)** provided the following assumptions relating to the proposed legislation:

ADMINISTRATIVE IMPACT

Because the interest rate applied to an overpayments is different than delinquencies, modifications to the income, corporate, motor fuel and withholding tax systems will be needed. Information Technology will need 4 Programmers for 4 months at a cost of \$92,340 to create a system to handle this process.

This legislation will increase the printing and postage amounts utilized by the department because of the additional notices for underpays being issued to taxpayers. Because of confusion by the taxpayer on delinquent payments, it is anticipated that additional telephone calls will be received on the MOSAIX system. It is anticipated that one Tax Collection Tech I will be needed for every 24,000 calls a year resulting from the fluctuating interest rate on delinquencies.

REVENUE IMPACT

Last fiscal year, the department paid \$20 million in interest and estimates this legislation will result in interest savings of \$2 million to \$5 million (10%-25% of interest paid last year).

Oversight assumes the DOR could absorb the work associated with the additional phone calls with existing staff. However, if the number of calls and related work increases significantly, the DOR may need to request additional staff through the appropriations process.

| <u>FISCAL IMPACT - State Government</u> | FY 2003 (10 Mo.) | FY 2004 | FY 2005 |
|---|---|---|---|
| GENERAL REVENUE FUND | | | |
| <u>Income - Office of State Treasurer</u> | | | |
| Income from Investment Pool | <u>\$958,333</u> | <u>\$1,150,000</u> | <u>\$1,150,000</u> |
| Total <u>Income</u> - Office of State Treasurer | <u>\$958,333</u> | <u>\$1,150,000</u> | <u>\$1,150,000</u> |
| <u>Savings - Department of Revenue</u> | | | |
| Interest Savings | <u>\$2,000,000 to</u> <u>\$5,000,000</u> | <u>\$2,000,000 to</u> <u>\$5,000,000</u> | <u>\$2,000,000 to</u> <u>\$5,000,000</u> |
| Total <u>Savings</u> - Department of Revenue | <u>\$2,000,000 to</u> <u>\$5,000,000</u> | <u>\$2,000,000 to</u> <u>\$5,000,000</u> | <u>\$2,000,000 to</u> <u>\$5,000,000</u> |
| <u>Costs - Department of Revenue</u> | | | |
| Programming Fees | <u>(\$92,340)</u> | <u>\$0</u> | <u>\$0</u> |
| Total <u>Costs</u> - Department of Revenue | <u>(\$92,340)</u> | <u>\$0</u> | <u>\$0</u> |
| NET ESTIMATED EFFECT ON GENERAL REVENUE FUND | <u>\$2,865,993 to</u> <u>\$5,865,993</u> | <u>\$3,150,000 to</u> <u>\$6,150,000</u> | <u>\$3,150,000 to</u> <u>\$6,150,000</u> |
| <u>FISCAL IMPACT - Local Government</u> | FY 2003 (10 Mo.) | FY 2004 | FY 2005 |
| | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

This bill makes various changes to the duties and powers of the State Treasurer.

DESCRIPTION (continued)

The bill: (1) Requires the State Treasurer each calendar quarter to calculate an annual rate of interest equal to the average rate of return on all funds invested by the State Treasurer. This

calculated interest rate will be forwarded to the Department of Revenue and other applicable agencies and will be applied to situations for which the State of Missouri pays interest to entities on various overpayments received by the state. Under current law, interest applied to most overpayments is based on the adjusted prime rate charged by banks; (2) Allows the use of certain regulated money market mutual funds for investment of funds by the State Treasurer; (3) Expands the rate of interest required to be payed by banking institutions on time deposits of state moneys; and (4) Allows the State Treasurer to temporarily exchange certain investment obligations acquired by the State Treasurer into cash. Current law only allows exchange in other securities and not into cash.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of Administration
Office of State Treasurer
Department of Revenue



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Acting Director
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